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STATE FOR EAP/CM SECOR AND YAMAMOTO
STATE FOR EB/TPP/BTA TSAEGER AND ESAGURTON
TREASURY FOR OASIA/ISA/DOHNER AND HAARSAGER
USTR FOR CHINA OFFICE
COMMERCE FOR ITA/ITA DAVID SPOONER, ITA/IA MICHAEL ROLLIN
COMMERCE FOR ITA/MAC MACQUEEN
NSC FOR TONG
DEPT PASS USITC LYNN LEVINE
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SUBJECT: CHINA REQUESTS CONSULTATIONS REGARDING U.S.
COUNTERVAILING DUTY CASE ON COATED FREE SHEET PAPER

¶1. (SBU) On September 13, 2007, Ministry of Commerce (MOFCOM) American and Oceanian Affairs Deputy Director General (DDG) Wang Hongbo summoned Embassy Deputy Senior Commercial Officer and USTR Senior Trade Representative to inform them that the Chinese Government will file a request for consultations with the United States in the WTO on September 14 regarding the United States countervailing duty case on coated free sheet paper.

¶2. (SBU) DDG Wang said that the Chinese Government deeply regrets the decision of the United States to initiate countervailing duty cases on China, a non-market economy. Wang noted that the Chinese Government considers it unfair and against WTO rules to apply double investigations on non-market economies: i.e., the United States should not conduct both countervailing duty and antidumping cases on the same product from a non-market economy. Wang noted that in March 2007 the United States applied "unjustified" provisional countervailing duties on imports of coated free sheet paper and since then had initiated additional countervailing duty cases. Despite repeated discussions between the two governments on this issue, including discussions led by MOFCOM Minister Bo Xilai, the United States had continued these countervailing duty investigations, Wang said.

¶3. (SBU) The DDG explained that on September 14 the Chinese Government will file a request for consultations with the United States in the WTO Dispute Settlement Body regarding the countervailing duty investigation on coated free sheet paper. Wang noted that although the Chinese Government considers the relationship between the two countries to be of great importance, the Chinese Government, given the "unjustified actions" of the United States in this matter, has determined that it must exercise its WTO rights.

¶4. (SBU) In closing, Wang noted that the Chinese Mission to the WTO will file the request and inform the U.S. Mission in Geneva tomorrow, and that the Chinese Embassy in Washington, D.C. will contact its United States Government counterparts tomorrow as well. Wang said that the Chinese Government hopes that a satisfactory conclusion might be reached within

the WTO framework.
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